JAN 2 2 2008

A BILL FOR AN ACT

RELATING TO MEDICAL REIMBURSEMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- 1 SECTION 1. The legislature finds that medicaid is the
- 2 cornerstone of health care for our most needy population.
- 3 Moreover, the legislature recognized in Senate Concurrent
- 4 Resolution No. 77, S.D. 2, H.D. 1, 2006, that "it is in the
- 5 public interest to ensure that health care payments made with
- 6 state funds or controlled by the State are sufficient to cover
- 7 the actual costs of care." However, inadequate medicaid
- 8 payments and reimbursements have compromised access to medical
- 9 care not only for the uninsured and those who are medicaid
- 10 recipients but also for those individuals who have private
- 11 employer-based health insurance. Hawaii's hospitals in
- 12 particular have been detrimentally affected by the inadequacy of
- 13 medicaid reimbursements and payments. Hawaii's hospitals have
- 14 lost millions of dollars annually because federal reimbursement
- 15 is far below the cost of providing medical care. Between 2003
- 16 and 2005, medicaid payments to hospitals covered only seventy-

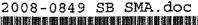
- 1 three to seventy-eight per cent of actual medical costs,
- 2 creating a strain on the hospitals' financial stability.
- 3 Although community health care centers provide excellent
- 4 primary care and outreach, they do not cover specialty or
- 5 hospital care. Patients who cannot obtain access to necessary
- 6 treatment are more likely to need care later in the more
- 7 expensive emergency room setting. As documented in numerous
- 8 media reports, emergency room access to specialty care has
- 9 reached crisis proportions.
- 10 Currently, department of human services administrative
- 11 rules governing fee-for-service medicaid reimbursements provide
- 12 only for hospital inpatient and long-term care nursing rates to
- 13 be adjusted annually for inflation. Reimbursement rates for
- 14 other services have gone for years without a rate adjustment for
- 15 inflation despite the rising cost of providing these services.
- 16 Additionally, hospital outpatient services rates have not been
- 17 increased for many years, while hospital labor and other costs
- 18 have increased dramatically over the same period. Consequently,
- 19 hospitals have suffered financially and have had to use prior
- 20 years' reserves and other funds to make up for the medicaid
- 21 services shortfall.

1	Accordingly, to meet rising health care costs and ensure	
2	that Hawa	ii's residents have continued access to quality health
3	care, the	purpose of this Act is to:
4	(1)	Establish a process by which medicaid fee-for-service
5		individual provider reimbursement rates are increased
6		annually for inflation;
7	(2)	Retroactively adjust for inflation payments made to
8		providers of hospital outpatient services and other
9		individual providers during the fiscal biennium 2005-
10		2007 to account for the lack of a rate increase for
11		the past five years; and
12	(3)	Appropriate funds to increase the medicaid fee
13		schedule to per cent of the 2007 medicare fee
14		schedule for fiscal year 2008-2009.
15	SECT	ION 2. Section 346-59, Hawaii Revised Statutes, is
16	amended by	y amending subsection (b) to read as follows:
17	" (b)	Rates of payment to providers of medical care who are
18	individua	l practitioners, including doctors of medicine,
19	dentists,	podiatrists, psychologists, osteopaths, optometrists,
20	and other	individuals providing services, shall be based upon
21	the Hawai:	i medicaid fee schedule. The amounts paid shall not

exceed the maximum permitted to be paid individual practitioners

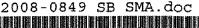
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- 1 or other individuals under federal law and regulation, the
- 2 medicare fee schedule for the current year, the state limits as
- 3 provided in the appropriation act, or the provider's billed
- 4 amount.
- 5 The appropriation act shall indicate the percentage of the
- 6 medicare fee schedule for the year [2000] 2007 to be used as the
- 7 basis for establishing the Hawaii medicaid fee schedule. For
- 8 any subsequent adjustments to the fee schedule, the legislature
- 9 shall specify the extent of the adjustment in the appropriation
- 10 act.
- 11 Rates under the medicaid fee schedule shall be adjusted
- 12 each year for inflation by multiplying the rates in effect on
- 13 June 30 of each year by the sum of one plus the inflation factor
- 14 for the prior fiscal year. The inflation factor shall be based
- 15 on the latest available actual, or estimated if actual is not
- available, national index for providers of medical care who are 16
- 17 individual practitioners. The percentage of the medicare fee
- 18 schedule upon which the medicaid fee schedule is based shall be
- 19 adjusted accordingly in the appropriation act for that year,
- 20 within the payment limits of this subsection."
- 21 The department of human services shall adjust SECTION 3.
- 22 payments made for noninstitutional items and services provided





- 1 by medicaid fee-for-service practitioners during fiscal biennium
- 2005-2007, for inflation by multiplying those payments by the 2
- 3 sum of one plus the inflation factor for the prior fiscal year,
- 4 based on the latest available actual, or estimated if actual is
- 5 not available, national index for providers of medical care who
- are individual practitioners. The department of human services 6
- 7 shall reimburse practitioners for the difference between actual
- 8 payments and adjusted payment amounts; provided that the amounts
- 9 paid shall not exceed the maximum permitted to be paid
- 10 individual practitioners or other individuals under federal law
- 11 and regulation, and the medicare fee schedule for the current
- 12 year.
- 13 SECTION 4. There is appropriated out of the general
- 14 revenues of the State of Hawaii the sum of \$ or so
- 15 much thereof as may be necessary for fiscal year 2008-2009 to
- 16 adjust for inflation payments made to medicaid fee-for-service
- 17 practitioners during fiscal biennium 2005-2007.
- 18 The sum appropriated shall be expended by the department of
- 19 human services for the purposes of this Act.
- 20 SECTION 5. There is appropriated out of the general
- 21 revenues of the State of Hawaii the sum of \$ or so
- 22 much thereof as may be necessary for fiscal year 2008-2009 to





- increase the medicaid fee schedule to per cent of the 2007 1
- 2 medicare fee schedule.
- 3 The sum appropriated shall be expended by the department of
- human services for the purposes of this Act. 4
- 5 SECTION 6. Statutory material to be repealed is bracketed
- and stricken. New statutory material is underscored. 6
- 7 SECTION 7. This Act shall take effect on July 1, 2008.

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INTRODUCED BY:

2008-0849 SB SMA.doc

Report Title:

Department of Human Services; Medicaid Fee Schedule; Inflation Adjustment; Appropriation

Description:

Amends medicaid fee schedule law to require an annual adjustment for inflation. Amends medicaid fee schedule to a percentage of the 2006 medicare fee schedule. Appropriates funds to retroactively adjust for inflation payments made to fee-for-service providers for fiscal biennium 2005-2007.